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March 13, 2018

The Honorable Gary Winfield
The Honorable Henri Martin
The Honorable Matthew Lesser
The Honorable Bill Simankowski
Banking Committee
Legislative Office Building, Room 2400
Hartford, CT 06106

Re: Opposition to SB 472/ HB 5492 An Act Concerning Fees for Credit Reports.

Dear Mr. Chairman:

I write on behalf of the Consumer Data Industry Association (CDIA) to urge your committee to oppose SB 472/HB 5492 concerning fees for credit freezes. I intended to testify before your committee earlier this week but due to the weather and conflicts with the rescheduled hearing date I could not make it. SB 472/HB 5492 fail to recognize existing federal consumer laws and consumer identity protections that should be used as a first line of defense against credit fraud and identity theft. Credit freezes are an important consumer protection and should be available for consumers who are concerned with identity theft, but they are not the best solution for every consumer. SB 472/HB 5492 would remove the fees to place and remove a security freeze.

CDIA is an international trade association, founded in 1906, of more than 130 corporate members. Our mission is to enable consumers, media, legislators and regulators to understand the benefits of the responsible use of consumer data which creates opportunities for consumers and the economy. CDIA members provide businesses with the data and analytical tools necessary to manage risk. This includes criminal background checks. Our members help ensure fair and safe transactions for consumers, facilitate competition and expand consumers' access to a market which is innovative and focused on their needs. CDIA member products are used in more than nine billion transactions each year.

A credit report is often a critical component to a lender's decision when trying to access financial products. The information contained in a credit report is held by a consumer reporting agency. As defined by the federal Fair Credit Reporting Act (FCRA)¹ all of the members of CDIA are considered to be consumer reporting agencies. Under the FCRA consumer reports may only be made available for permissible purposes. All customers of our members have to be vetted before being given access to databases and data must be secured in order to avoid impermissible access to the FCRA-regulated database. The Consumer Financial Protection Bureau (CFPB) supervises and examines our members for compliance with this law and brings enforcement action where necessary. In addition, state attorneys general and the Federal Trade Commission also have the power to enforce the FCRA.

¹ 15 U.S.C. §1681 et seq.

SB 472/HB 5492, proposes to remove the fees to place a freeze on an individual's credit file. The fees associated with placing and removing a credit freeze are there to offset the administrative costs the bureaus incur to place a freeze. The credit bureaus do not profit from these fees and they are intentionally low so consumers can afford to place and remove them. In Connecticut, the cost to freeze a credit report is capped at \$10. While this fee is low, it exists to cover the costs of providing the service and the development of, as well as maintenance of the technology, to place and remove a freeze. State laws permit a small fee for the placement and removal of a freeze, as well as require that consumers contact each nationwide credit bureau to place a freeze and obtain a PIN to manage the freeze. Where policy makers have determined that certain populations are vulnerable to identity theft these fees have been waived in some cases.

However, freezing a credit file should not be used as a consumer's first line of defense in identity protection. Freezing a credit file is cumbersome and it is an inflexible tool intended to assist victims of identity theft. It should be used as a last resort in the process of protecting one's identity. If a consumer is concerned that identity theft or fraud has occurred, under the federal FCRA consumers can place for free, a fraud alert on their credit file.² This alert is shared across all of the national credit bureaus once it has been placed by the consumer. It is a quick and easy process that tells a creditor to not issue credit to the consumer until the creditor has either contacted the consumer directly to verify the line of credit, or taken reasonable steps to verify the identity of the consumer. Once the initial fraud alert is placed on the consumer's file, the consumer is entitled to a free credit report from each of the national bureaus. The fraud alert lasts 90 days after which a consumer may choose to extend the time period for free and receive an additional free credit report.

A credit freeze was created to assist those chronic victims of identity theft and should not be considered the first line of defense in identity protection. A freeze is best used when a consumer has evidence that they are a victim of identity theft, as it will block the consumers' ability to access credit of any kind including a loan, apartment or even a job. Consumers who are "credit active" find that freezing and unfreezing their credit file is inconvenient and significantly slows credit transactions. In fact, we have found from our experience, when consumers understand the options in protecting their credit, from fraud alerts to a freeze, most choose to start with a 90-day fraud alert. It's a protection that is free, requires only contacting one credit bureau, allows consumers a free credit report, and it doesn't interrupt their lives. We believe that fraud alerts are better options for those who want to be cautious and monitor their credit without limiting or cutting off access to their credit report. The CFPB which oversees the credit bureaus agrees and has put that recommendation on their website for consumers. However, if a consumer is a victim of identity theft, current federal law under the FCRA allows them to obtain a free credit freeze, a free lift and a free removal of the freeze.

In addition to removing the fees, both bills would require once a consumer has placed a credit freeze at one credit reporting agency (CRA), that CRA has to notify all other CRAs of the free request. The CRAs are then required to treat that notification as a freeze request on the consumer's file. Credit freezes are an important consumer protection that requires an individual to directly contact each consumer reporting agency. The law provides necessary safeguards to authenticate consumers, ensures that the correct consumer file is addressed, and provides a PIN or password to remove the freeze. As drafted, the legislation would allow a consumer to have their information shared across bureaus to have a freeze placed, removed or temporarily lifted. While we understand the desire for

² 15 U.S. Code § 1681c-1

consumer convenience, requiring bureaus to share the management of freeze requests introduces potential security issues into the system and makes it difficult for consumers to engage in the management of their credit.

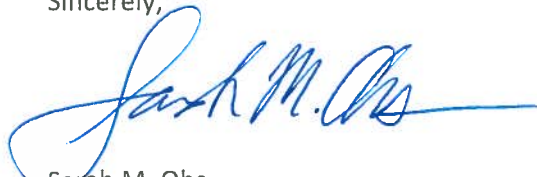
First, the legislation would require a consumer reporting agency to accept the authentication standards from another company. While requests for fraud alerts under the FCRA are shared across credit bureaus, the same type of sharing for security freezes are not appropriate. The management of a security freeze is vulnerable to fraud and has consequences that can take consumers out of the credit ecosystem if not handled properly. Data security and authentication requirements vary among companies and each have in place additional protocols when consumers cannot be properly authenticated, such as providing additional documentation or government issued identification. Requiring companies to accept the data security standards of another company inserts unnecessary risk into the economy.

Second, the legislation would make it difficult for consumers to request a temporary lift. There are two options when a consumer requires their credit freeze to be temporarily lifted. If a consumer intends to apply for credit with multiple lenders in order to get the best rate, a lift can be specified for time period. If a consumer only wants to apply with one lender, they can request a one-time-use PIN instead. Often a lender will only request a credit file from one credit reporting agency. In order to request a one-time PIN, the consumer must request the PIN directly from the credit bureau that will be used by the lender. As drafted, the legislation would encourage consumers to temporarily lift a security freeze at all three credit bureaus, unnecessarily opening up access to credit files. We believe a better solution is to provide education and disclosures to consumers about how to place a freeze with each credit reporting agency.

In conclusion, we respectfully ask your committee to oppose SB 472/HB 5492. We believe that this legislation is not in the consumer's best interest, as it creates incentives for the consumer to choose a credit freeze as the first line of defense in protecting one's identity. Instead, credit freezes are designed for victims of identity theft to protect themselves from further victimization. We believe, as well as the CFPB, that an initial fraud alert should be the first step in protecting your personal information. It is a protection that is free, requires only contacting one credit bureau, allows consumers a free credit report, and it doesn't interrupt a consumer's access to credit. In addition, we believe this bill potentially creates security issues by requiring consumers to have their information shared across bureaus to have a freeze placed, removed or temporarily lifted.

I would be happy to answer any questions that the committee might have.

Sincerely,



Sarah M. Ohs

Manager of Government Relations